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UNDP FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

ANNUAL REVIEW OF THE FINANCIAL SITUATION, 1997

Report of the Administrator

SUMMARY

The present report reviews the financial situation of the United Nations Development Programme for 1997. It presents an analysis of all activities administered by UNDP. In addition, financial forecasts for the next two years are given. Detailed financial information is contained in document DP/1998/29/Add.1.

The Executive Board may wish to: (a) recall its approval, through decision 97/6, of the harmonization of the Budget presentation format. Although the decision applies to financial statements presented after 1 January 1998, UNDP has used the format in the present report in order to facilitate the Board's review of the 1996-1997 biennium financial statements. The harmonized format distinguishes UNDP regular resources from its other resources and from the activities of the funds established by the General Assembly and administered by UNDP. The present report also employs the same format for easier comparison with the audited UNDP financial statements; (b) note the continuing critical shrinkage in voluntary contributions to UNDP regular resources; (c) note the increase in programme expenditure exceeding total income in 1997; (d) note the cash-management risk for the organization linked to the reduction in voluntary contributions and the late payment of pledges for said contributions; (e) note the forecasted depletion of unexpended resources of regular resources to zero at 31 December 1999.

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ABBREVIATIONS

ACC	Administrative Committee on Coordination
AfDB	African Development Bank
AFESD	Arab Fund for Economic and Social Development
AsDB	Asian Development Bank
CEC	Commission of the European Communities
DEVNET	Development Network
EBRD	European Bank for Reconstruction and Development
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLAC	Economic Commission for Latin America and the Caribbean
EEC	European Economic Commission
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility
IADB	Inter-American Development Bank
IAEA	International Atomic Energy Agency
IAPSO	Inter-Agency Procurement Services Office
IBRD	International Bank for Reconstruction and Development
ICAO	International Civil Aviation Organization
IDA	International Development Association
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
IOM	International Organization for Migration
ITC	International Trade Centre
ITU	International Telecommunication Union
JPO	Junior Professional Officer
LDC	Least developed country
MSA	Management services agreement
NGO	Non-governmental organization
PAPP	Programme of Assistance to the Palestinian People
RFA	Reserve for Field Accommodation
SICA	Spanish International Cooperation Agency
SMF/LDC	Special Measures Fund for the Least Developed Countries
UNCDF	United Nations Capital Development Fund
UNCHS	United Nations Centre for Human Settlements (Habitat)
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNDG	United Nations Development Group
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNFSTD	United Nations Fund for Science and Technology for Development
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization

UNIFEM	United Nations Development Fund for Women
UNITAR	United Nations Institute for Training and Research
UNOPS	United Nations Office for Project Services
UNRFNRE	United Nations Revolving Fund for Natural Resources Exploration
UNSO	Office to Combat Desertification and Drought
UNTAC	United Nations Transitional Authority in Cambodia
UNV	United Nations Volunteers
UPU	Universal Postal Union
USAID	United States Agency for International Development
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Tourism Organization

I. INTRODUCTION

1. The present report provides an overview of the financial condition of UNDP at the end of the year 1997 as well as the financial forecasts for the years 1998 through 1999. As indicated below, there are several notable differences in the format of the present report compared to that for 1996.

2. In the past, the term " UNDP account" encompassed activities carried out under the UNDP General Fund, IAPSO and the Reserve for Field Accommodation. This was in keeping with ACC recommendations, Executive Board decision 96/40 and the demands of transparent reporting. In its decision 97/6, the Executive Board approved the format for the harmonization of the presentation of the biennial support budgets for UNDP and UNFPA. The UNICEF Executive Board adopted a similar decision (1997/5). The provisions contained in the decisions are reflected in the financial statements of the 1998-1999 fiscal period. However, to facilitate the Board's review of the 1996-1997 biennial financial statements, UNDP has proceeded with an early adoption of the format. In connection with the harmonization of budget presentations, the following should be noted:

(a) Regular resources activities: activities financed from voluntary contributions and related interest earnings and miscellaneous income. This category comprises core activities and the Special Measures Fund for Least Developed Countries;

(b) Other resources activities: activities financed from sources other than regular resources - as defined above - that are earmarked for specific programmes. Under this category fall cost-sharing, government cash counterpart contributions, and trust funds established by the Administrator. For accounting reasons, MSAs, the reimbursable support services and other activities, (JPOs, and the RFA, among others) are included in the other resources grouping;

(c) Funds administered by UNDP: activities of the Funds established by the General Assembly and administered by UNDP.

3. Furthermore, the redefinition of expenditure has resulted in the biennial support budget being divided into three elements:

(a) Programme support: expenditure incurred by organizational units (country offices and headquarters) whose primary function is the development, formulation, delivery and evaluation of the programmes of the organization;

(b) Management and administration: expenditure incurred by organizational units whose primary function is the maintenance of the identity, discretion and well-being of the organization;

(c) Support to operational activities of the United Nations: This consists of four elements that pertain essentially to the regular resources activities, namely, country offices support, the United Nations Development Group, UNV and IAPSO.

4. All tables in the narrative represent summary information of detailed data that can be found in the addendum to the present document (DP/1998/29/Add.1).

5. Forecasts for the 1998-1999 biennium. The information detailing the expected levels of income, expenditure and unexpended resources for UNDP overall activities is contained in the addendum. Contained therein are forecasts of the regular resources, cost-sharing, trust funds, MSAs, and the funds administered by UNDP.

6. The Executive Board may wish to note that the Administrator has continued to provide all detailed statistical information in the addendum, in conformity with the practice adopted last year.

II. REGULAR RESOURCES

7. Regular resources activities shown in table 1 and in the accompanying figures comprise the core activities and those of the SMF/LDC. The present section first examines income, then expenditure, and lastly focuses on unexpended resources. In 1997, total expenditure exceeded the total income earned, leading to a drop in the available resource balance (see figure 1).

Table 1. Income and expenditure for the twelve months ended 31 December
(millions of United States dollars)

	Regular resources		Change between 1997 and 1996 (percentage)
Income	1997	1996	
Net contributions	760.9	847.9	(10.27)
Interest and other income	17.2	39.2	(56.20)
TOTAL INCOME	778.1	887.1	(12.29)
Expenditure			
Programme	654.3	537.0	21.84
Programme support - implementing agents	53.7	59.3	(9.44)
Biennial support budget	240.8	244.8	(1.63)
Support to Resident Coordinator	6.4	0.4	1 500.00
UNDP sectoral support	5.7	5.4	7.41
TOTAL EXPENDITURE	960.9	846.9	13.46
Excess (shortfall) of income over expenditure	(182.8)	40.2	(554.73)
Provision for assets write-down	(14.4)	-	(100.00)
Net excess (shortfall) of income over expenditure	(197.2)	40.2	(590.55)
Transfer to the Operational Reserve	(30.0)	30.0	(203.50)
Savings, refunds and other transfers	(0.6)	3.7	(116.30)
Unexpended resources, 1 January	512.8	438.9	(16.90)
Unexpended resources, 31 December	285.0	512.8	(44.42)

Source: Table 1(a), DP/1998/29/Add.1

A. Income

8. As indicated in table 1 and depicted in figure 2, voluntary contributions to the regular resources (inclusive of SMF/LDC) fell by 10.3 per cent (87.1 million) to $760.9 million in 1997. The decrease in voluntary contributions (see figure 2) is due to the reduced level of pledges for 1997 and the strength of the United States dollar, which strengthened overall by 13 per cent in 1997.

9. A major concern for the Administrator continues to be the timing of payments of contributions, especially those not denominated in United States dollars, which are often remitted later in the year, thus undermining the ability of UNDP to protect the dollar value of the contributions through hedging and other risk-management strategies. About $28 million in pledges was unpaid at the end of 1997 (see table 9 in the addendum), $13 million of which had not been received as of 31 May 1998. The six largest outstanding pledges as of 31 December 1997 accounted for $18 million.

B. Expenditure

10. Total 1997 expenditure under regular resources rose to $961 million from $847 million in 1996.

11. Programme expenditure in 1997 increased by 21 per cent to $654 million as against $537 million in 1996, the greater portion of which was executed by national Governments (see figure 3). The use of the national execution modality continues to rise, in line with UNDP objectives - accounting for 55 per cent of total programme expenditure in 1997 ($363 million) compared to 33 per cent in 1994; 41 per cent in 1995 and 51 per cent in 1996. The UNOPS share of regular resources programme expenditure continues to rise - 19 per cent in 1994; 22 per cent in 1995; 25 per cent in 1996 - and remained stable at 25 per cent ($162 million) in 1997. In contrast, the five largest United Nations specialized agencies continue to experience decline in delivery of programme activities. In 1997, $76 million or 12 per cent of all programmes activities were undertaken by these agencies, down from 29 per cent in 1994, when they accounted for $155 million in expenditure.

12. Programme expenditure has risen in nearly all regions - except in Latin America and the Caribbean - as shown in table 3. The Africa and the Asia and the Pacific regions accounted for 73 per cent of total expenditure in 1997. Programme delivery in Africa grew by $58 million (65 per cent) to $222 million in 1996 and a further $56 million (25 per cent) to $278 million in 1997. Expenditure in the Asia and the Pacific region increased by $28 million to $201 million in 1997, an upward swing of 16 per cent, after falling slightly by $15 million to $173 million in 1996. The Europe and the Commonwealth of Independent States region shows a steady climb in delivery to $37 million in 1997 from $28 million in 1996 and $19 million in 1995, respectively. Expenditures in the Arab states region almost doubled in 1997 to $64 million, from $34 million in 1996.

Table 2. Regional distribution of programme expenditure for UNDP regular resources
(millions of United States dollars)

Region	Regular resources 1997	1996	1995
Latin America and the Caribbean	42	47	39
Europe and the Commonwealth of Independent States	37	28	19
Africa	278	221	164
Asia and Pacific	201	173	188
Arab States a/	64	34	37
Other expenditure b/	32	34	44
TOTAL c/	654	537	491

Source: Table 14, DP/1998/29/Add.1

a/ Includes PAPP expenditure
b/ Includes global and interregional programme
c/ LDC amounts included in total are: $339 million for 1997; $281 million for 1996; $241 million for 1995

13. Programme support paid to implementing agents dropped $5.6 million in 1997 to $53.7 million, compared with $59.3 million in 1996. The decline in these support costs is a consequence of the increase in national execution and in the capacity of the programme countries to implement projects/programmes, and of the new successor arrangements mandating that implementing agents earn not more than 10 per cent of project costs as programme support costs.

14. Programme support to resident coordinator. Thanks to new programme arrangements, funds have now been made available for the specific activities of the resident coordinator ($6.4 million in expenditure for 1997).

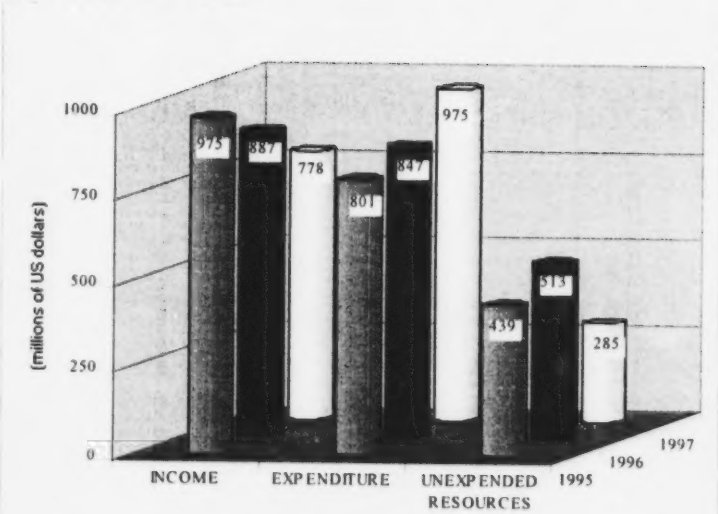
15. Biennial support budget. Expenditure relating to the biennial support budget decreased slightly by $4 million. The decrease is a result of management's effort to maximize the efficiency and effectiveness of the organization.

C. Unexpended resources

16. As at 31 December 1997, unexpended resources for regular resources activities amounted to $285 million, compared to $513 million as of 31 December 1996, a drop of nearly 45 per cent, and $475 million as of 31 December 1995. The reduction of the unexpended resource balances is driven both by increases in programme expenditure and the shrinking of the voluntary contributions. In 1997, total expenditure of $975 million exceeded total income of $778 million by $197 million.

UNDP
Regular resources activities

Figure 1. Regular resources activities



Note: income includes contributions, interest income and miscellaneous income

Figure 2. Regular resources contributions

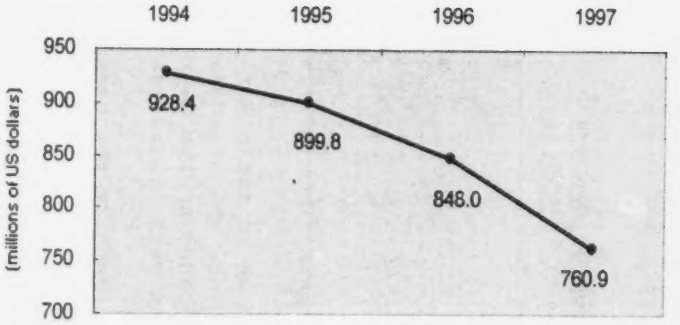
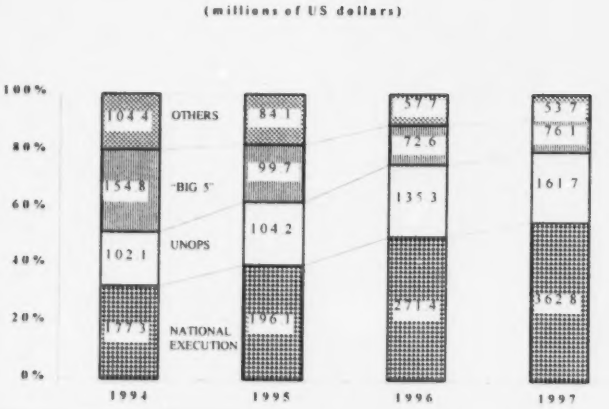


Figure 3. Expenditure by execution modality- Regular resources



17. The movement in the unexpended resources balance from 31 December 1996 to 31 December 1997 is summarized in table 3.

Table 3. Movement in unexpended resources
(millions of United States dollars)

Balance as at 31 December 1996	512.8
Total income in 1997	778.1
Total expenditure 1997	(960.9)
Provision for assets write-down	(14.4)
Transfer to the Operational Reserve	(30.0)
Other transfers	(0.6)
Balance as at 31 December 1997	285.0

Source: Table 1(a), DP/1998/29/Add.1

18. The balance of unexpended resources shown in table 3 is the pool of resources available, on a given date, to finance the organization's activities. However, the availability of this balance depends on the degree of liquidity of the assets held. Cash and investments are the main liquid assets of UNDP.

19. Investments represent the largest component of the unexpended resource balance, as shown in table 4. Other assets, net of liabilities, supplement investments to form the balance of unexpended resources. Other assets include advances to country offices and to other United Nations organizations. On the liability side, unliquidated obligations and other payables represent expenditure that has been incurred but not yet disbursed.

20. The unexpended resource balance as at 31 December 1997 is comprised of the elements shown in table 4.

Table 4. Composition of unexpended resources
(millions of United States dollars)

Investments	257.5
Net balance of advances made to programme countries for national execution projects	45.2
Net balance of advances made to executing agents	57.3
Other advances, deferred charges and accrued interest	33.0
Net payments made on behalf of some United Nations agencies	6.1
Expenditure incurred but not yet disbursed (Unliquidated obligations, accounts payable, etc.)	(114.1)
Total unexpended resources	285.0

Source: Table 1(b), DP/1998/29/Add.1

21. Between 1996 and 1997, there was a reduction of $200 million in the amount of cash and investments held for regular resources while the unexpended resource balance decreased overall by $227.8 million because of the movements in other assets, net of liabilities.

22. The movement in the liquid assets described above can be broken down as shown in table 5.

Table 5. Movement of liquid resources
(millions of United States dollars)

Opening balance - 1 January 1997	
Cash balance	25.9
Investments	431.2
Subtotal	457.1
Income in 1997	778.1
Expenditure in 1997	(960.9)
Provision for assets write-down	(14.4)
Transfer to Operational Reserve	(30.0)
Other transfers	(0.6)
Subtotal	(227.8)
Net change in advances made to Governments, executing agents, etc.	0.7
Net change in expenditure incurred but not yet disbursed	27.5
Subtotal	28.2
Closing balance:[a/]	
Investments	257.5

Source: Table 1(a,b), DP/1998/29/Add.1

a/ The balance of unexpended resources is over and above the investments held for the operational reserve ($200 million).

III. OTHER RESOURCES

23. The other resources activities comprise mainly third-party cost-sharing, government cost-sharing, government cash counterpart contributions, trust funds, management services agreements and Junior Professional Officers. For presentation purposes, the reimbursable services as well as the activities under the RFA are also included in other resources. In 1997, there was an overall increase in the other resources income, expenditure, and the unexpended resources balances (see figure 4). However, as evidenced in figures 5 and 6, most of the increase is attributable to government cost-sharing. The following analysis will focus on the main components of the other resources category: cost-sharing; MSAs; trust funds; JPOs; and the RFA.

A. Cost-sharing

1. Income

24. Continuing an upward trend that has become evident in the last several years, contributions for cost-sharing activities reached $941 million in 1997 from $801 million in 1996, an upswing of $140 million (18 per cent). Of the $941 million received in 1997, $98 million was attributable to third-party cost-sharing and $843 million to programme country Governments. As shown in table 7 and in figure 10, the overall increase in cost-sharing contributions came from government cost-sharing contributions, which increased from $701 million in 1996 to $843 million in 1997 (20 per cent), while third-party

contributions were almost stable ($98 million in 1997 versus $100 million in 1996). The top ten government cost-sharing contributions are shown in figure 8. The UNDP cost-sharing financial results for the years 1997 and 1996 are shown in table 6.

2. Expenditure

25. Programme expenditure rose by $183 million to $850 million in 1997 from $667 million in 1996, an increase of 28 per cent. Reflecting increasing delivery levels, the percentage increase in programme expenditure (27.5 per cent) outpaces the rate of increase in contributions (17.5 per cent). On average, the support costs paid to the implementing agents are stable (1.4 per cent of 1997 programme expenditure against 1.3 per cent in 1996).

26. The biennial support budget costs, which have remained stable over the 1996-1997 period, represent the support services paid by cost-sharing activities to UNDP and, when expressed as a percentage of programme expenditure, have averaged 5 per cent of the total cost-sharing programme expenditure.

Table 6. Income and expenditure for the year ended 31 December
(millions of United States dollars)

	Cost-sharing		Change between 1997 and 1996 (percentage)
Income	1997	1996	
Government cost-sharing contributions	843.4	700.8	20.40
Third-party cost-sharing contributions	97.6	100.0	(2.40)
Interest income	18.3	14.8	23.70
TOTAL INCOME	959.3	815.6	17.62
Expenditure			
Programme	850.3	666.8	27.50
Programme support - implementing agents	11.7	8.6	36.05
Biennial support budget	40.2	30.9	30.10
TOTAL EXPENDITURE	902.2	706.3	27.74
Net excess of income over expenditure	57.1	109.3	(47.76)
Refunds and other transfers	0.3	(0.6)	(150.00)
Unexpended resources, 1 January	515.4	406.7	26.80
Unexpended resources, 31 December	572.8	515.4	11.14

Source: Table 3(a), DP/1998/29/Add.1

27. The distribution of expenditure incurred under cost-sharing activities by type and region is illustrated in table 7 and in figures 9 and 10.

28. In the Latin America and Caribbean region, Argentina, Brazil, Colombia, Panama and Peru (the " top five") continue to dominate programme delivery levels under government cost-sharing. At 68 per cent of total government cost-sharing of $439 million in 1995, the share of these five countries has risen to 74 per cent of $764 million in 1997. The rest of the countries in Latin America and the Caribbean accounted for 20 per cent, down from 23 per cent in 1995 (see table 7).

3. Unexpended resources

29. Unexpended resources rose from $515 million in 1996 to $573 million in 1997, an increase of $58 million, representing eight months of 1997 expenditure. This increase in unspent resources is consistent with the full-funding mechanism for cost-sharing, which requires that such activities be fully paid for in advance.

Table 7. Regional distribution of programme expenditure for UNDP cost-sharing
(millions of United States dollars)

	Third party			Programme governments		
	1997	1996	1995	1997	1996	1995
Top five countries a/	4	1	4	561	436	296
Latin America and the Caribbean (without top five countries)	20	15	17	149	114	100
Europe and the Commonwealth of Independent States	13	11	3	7	3	3
Africa	15	21	19	5	7	3
Asia and Pacific	19	13	8	15	10	11
Arab States b/	10	6	4	26	21	24
Other expenditure c/	6	8	10	1	1	2
	87	75	65	764	592	439

Source: Table 14, DP/1998/29/Add.1

a/ Argentina, Brazil, Colombia, Panama, Peru
b/ Includes PAPP expenditure
c/ Includes global and interregional programme and GCCC

UNDP
Other Resources activities: Overview

Figure 4. Other resources activities

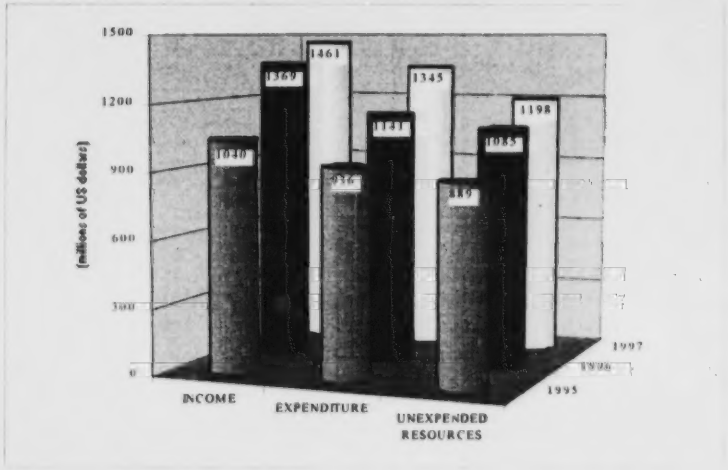


Figure 5. Earmarked contributions

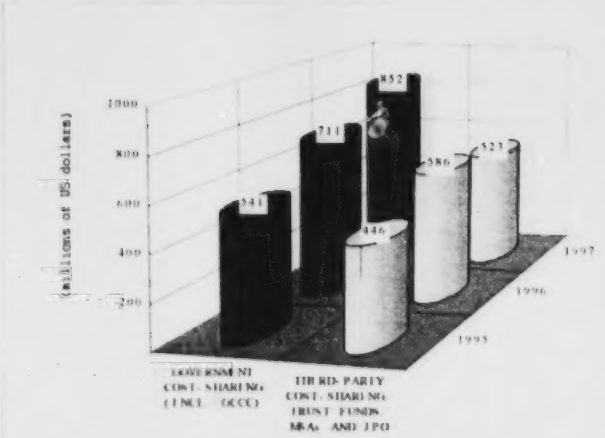


Figure 6. Income: 1997 other resources

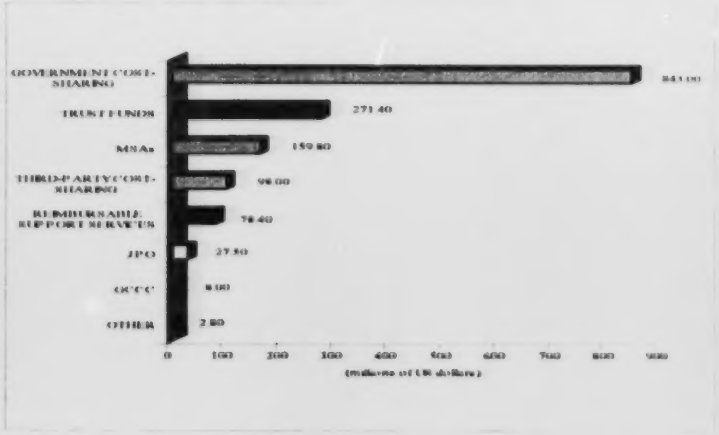
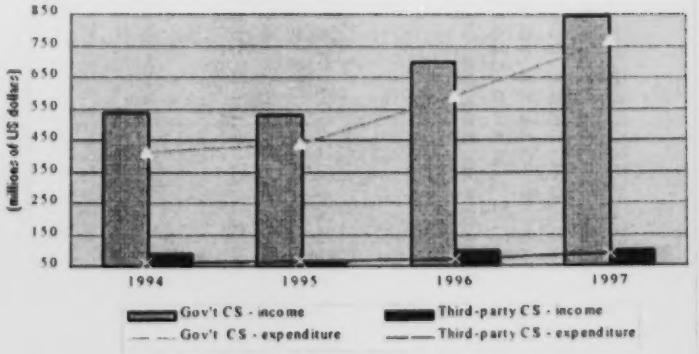


Figure 7. Cost-sharing activities



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UNDP
Other Resources activities: Cost-sharing

Figure 8. 1997 Government Cost-sharing - Top ten donors

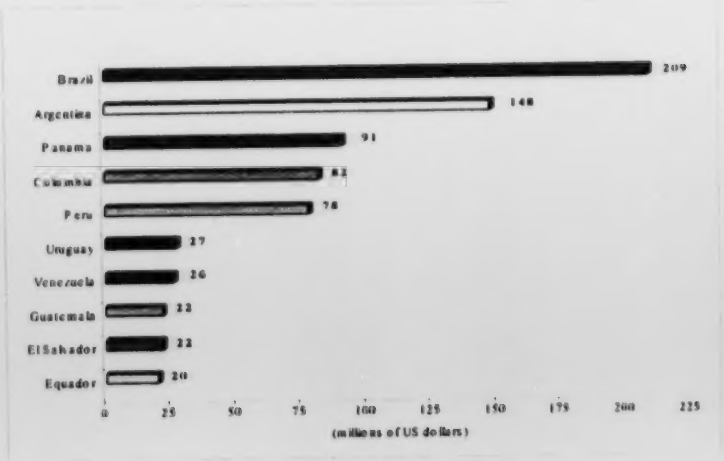


Figure 9. Third-party cost-sharing by region

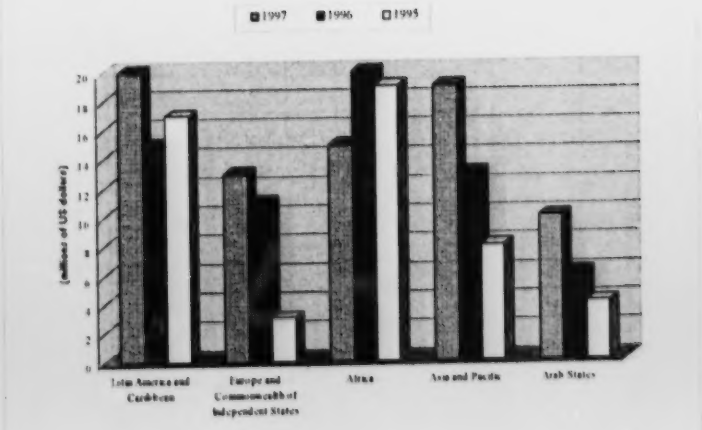
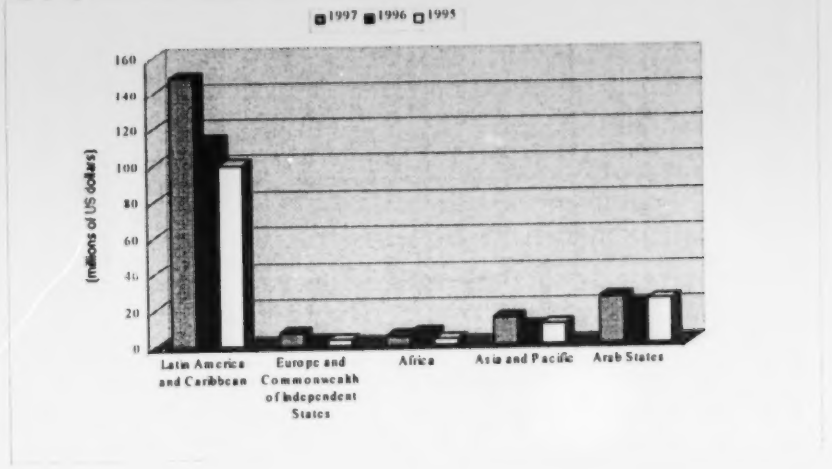


Figure 10. Government cost-sharing expenditure by region



B. Management services agreements

30. MSAs, signed by UNDP with various donors, are executed by UNOPS on behalf of UNDP. Their financial status is shown in table 8.

Table 8. Income and expenditure for the year ended 31 December
(millions of United States dollars)

	MSAs		Change between 1997 and 1996 (percentage)
Income	1997	1996	
Net contributions	152.8	162.5	(6.10)
Interest income	7.0	5.2	35.00
TOTAL INCOME	159.8	167.7	(4.71)
Expenditure			
Programme	162.0	157.9	2.60
Programme support - implementing agents	-	-	-
Biennial support budget	-	-	-
TOTAL EXPENDITURE	162.0	157.9	2.60
Excess (shortfall) of income over Expenditure	(2.2)	9.8	122.50
Refunds and other transfers	(1.2)	-	(100.00)
Unexpended resources, 1 January	85.0	75.2	13.10
Unexpended resources, 31 December	81.6	85.0	(4.00)

Source: Table 4(a), DP/1998/29/Add.1

31. In 1997, donors contributed $153 million towards MSA activities, down by almost $10 million from $163 million in 1996 (see figure 11). Total income - which includes interest income - available for programme activity under MSAs in 1997 amounted to $160 million, a reduction of $8 million from $168 million in 1996.

32. As of 31 December 1997, there were 83 active MSAs under this execution modality, on which $162 million was spent, $4 million more than in 1996 (see figure 11). During the year under review, 37 new MSAs were implemented and 26 were financially completed; in addition, 38 were operationally completed.

The 1997 MSA expenditure was distributed as follows:

Table 9. Distribution of expenditure by region, 1997
(millions of United State dollars)

Region	Amount
1. Africa	68.9
2. Latin America and the Caribbean	64.5
3. Europe and the Commonwealth Independent States	19.1
4. Asia and the Pacific	2.8
5. Arab States	0.5
6. Global and interregional	6.2
TOTAL	162.0

Source: UNOPS

33. For the biennium 1996-1997, the total income increased by 14 per cent to $328 million, compared to $287.3 million mobilized in the 1994-1995 biennium. Related total expenditure rose by 12 per cent to $320 million in 1996-1997, compared to $286 million in the 1994-1995 biennium.

C. Trust funds

34. Trust funds have continued to grow in number and programme sector representation, especially in Asia and the Pacific, the Commonwealth of Independent States, and Africa. Table 10 presents a summarized income statement of the trust funds for 1996-1997. Over the past four years, the trust funds total annual expenditure has always been lower than the total income earned (see figure 12).

1. Income

35. Total contributions for trust funds in 1997 declined by $52 million or 17.7 per cent to $244 million as against $296 million in 1996, notwithstanding the 29 new trust funds and the 24 new sub-trust funds established in 1997. In the same period, 6 trust funds were closed. For the portfolio of 160 trust funds and 146 sub-trust funds showing activity, total income, which includes interest income, fell by $42 million to $271.4 million from $313.4 million in 1996, a slide of 13.4 per cent.

Table 10. Income and expenditure for the year ended 31 December (millions of United States dollars)

	Trust funds		Change between 1997 and 1996 (percentage)
Income	1997	1996	
Net contributions	244.0	296.3	(17.70)
Interest and other income	27.7	16.2	67.30
Other income-net	(0.3)	0.9	(134.00)
TOTAL INCOME	271.4	313.4	(13.40)
Expenditure			
Programme	210.1	196.1	7.10
Programme support -			
Implementing agents	9.8	10.3	(5.80)
Biennial support budget	16.7	12.1	38.00
TOTAL EXPENDITURE	236.6	218.5	8.28
Excess of income over expenditure	34.8	94.9	(63.40)
Refunds and other transfers	(2.2)	(21.0)	(89.60)
Unexpended resources, 1 January	409.9	336.0	22.00
Unexpended resources, 31 December	442.5	409.9	7.95

Source: Table 3(a), DP/1998/29/Add.1

36. Of the larger trust funds, the Trust Fund for Rwanda showed the largest absolute increase in contributions, with income growing by approximately $14 million to $35 million in 1997 from $21 million in 1996. Other large trust funds all experienced declines in income. The Montreal Protocol saw a drop of $3 million in contributions to $32 million in 1997 from $35 million in 1996. PAPP experienced a decline in contributions of $12 million to $36 million in 1997 from $48 million in 1996, a decline of 25 per cent. Contributions to the GEF fell by $9 million to $51 million in 1997 from $60 million in 1996, a 15 per cent reduction. Other larger trust funds, including Capacity 21, witnessed decreases of varying levels in total contributions.

37. Overall, the environment-related trust funds (GEF, Montreal Protocol, Capacity 21) and countries/territories in special situations still capture most of the trust funds contributions (see figure 13). The top ten trust fund recipients are shown in table 11.

Table 11. Top ten trust fund recipients, 1997
(millions of United States dollars)

Donor	Amount
GEF	51.2
PAPP	35.6
Rwanda	34.9
Montreal Protocol	31.8
Trust Fund for Angola	9.2
De-mining operations in Cambodia	8.0
Capacity 21	7.6
UNSO	4.9
Trust Fund for Guatemala	4.8
Efficiency and Effectiveness	4.7
Total	192.7

Source: UNDP Financial Statements

2. Expenditure

38. Programme expenditure in 1997 rose by $14 million to $210 million from $196 million in 1996. The Montreal Protocol recorded expenditure of $38 million in 1997, indicating a growth of $8 million above the $30 million recorded in 1996. Close behind is the GEF trust fund, which increased total expenditure by $7 million in 1997 to $65 million, up from $58 million in 1996. Expenditure for the Trust Fund for Angola surged to $5 million in 1997 from $0.6 million in 1996. Another trust fund leading in expenditure was the Trust Fund for Rwanda, whose expenditure grew by $4 million to $18 million from $14 million in 1996. The Norway Trust Fund for Assistance to the Electoral Process in Mozambique also recorded a sizeable leap in expenditure to $4.5 million from $0.7 million in 1996. In the Latin America and the Caribbean region, the Trust Fund to Support Governance in Central America increased expenditure to $5 million in 1997 from $1 million in 1996. The total 1997 expenditure for the six trust funds discussed above is $136 million, representing over 58 per cent of project expenditure for all trust funds administered by UNDP.

3. Unexpended resources

39. The unexpended resources of the trust funds grew by $33 million to $443 million in 1997 from $410 million in 1996. However, viewed against the growth of $74 million or 22 per cent between 1995 and 1996, the growth experienced in 1997 is small in both absolute and relative terms (8 per cent). Moreover, this increase in unspent resources is consistent with the full-funding mechanism for trust funds, which requires that such activities be fully paid for in advance. Of the larger trust funds, UNSO and GEF both had expenditure levels greater than current year total income, thereby leading to diminution of their unexpended resources over 1996. The Trust Fund for Rwanda showed an increase of $18 million in its resource balance, almost matching the increase in voluntary contributions. While PAPP showed a $10 million drop in voluntary contributions in 1997, it recorded an even steeper $22 million drop in expenditure when compared to 1996. Its available resources increased to $39 million in 1997 from $30 million in 1996, a 30 per cent rise. The Montreal Protocol also showed an increase of $3 million in unexpended resources, which can be attributed to the greater interest income of $10 million earned in 1997, against $4 million in 1996.

D. Junior Professional Officer programme

40. UNDP currently has 337 JPOs in this programme, financed by 20 countries. The increase in both income and expenditure results from the growth in the numbers of participants (as at 31 December 1996, the programme had 285 Professionals).

41. In 1997, a total of $27.5 million in income, consisting entirely of contributions, was mobilized for the JPO programme. This showed an increase of $0.6 million over the $26.9 million mobilized in 1996.

42. Expenditure amounted to $28.2 million in 1997, a rise of $3.3 million over the $24.9 million recorded in 1996.

43. The Executive Board may wish to note that the Administrator has enacted a policy that restricts the use of JPOs at headquarters and deploys them to the field.

E. Reserve for Field Accommodation

44. UNDP currently manages 356 housing units in 25 countries, a reduction from 415 units in 28 countries reported a year ago. Fifty-four of the units are owned by UNDP; 278 units are leased from the Governments of the respective countries and 24 units are leased commercially. In addition, with the support of the Executive Board, UNDP is moving towards the disposal of assets and has established provisions for assets write-downs.

45. Table 12 provides a summary of RFA activities.

Table 12. Reserve for Field Accomodation: income and expenditure for the year ended 31 December (millions of United States dollars)

	1997	1996	Change between 1997 and 1996 (percentage)
Income			
Rental income	3.5	3.9	(10.26)
Other income-net	0.3	0.4	(25.00)
Gain (loss) on foreign exchange	0.2	-	100.00
TOTAL INCOME	4.0	4.3	(6.98)
Expenditure			
Repairs and maintenance	2.1	1.6	31.25
Other	0.5	0.6	-
TOTAL EXPENDITURE	2.6	2.2	23.81
Operating surplus	1.4	2.1	(33.33)
Provision for assets write-down	(0.1)	(14.0)	99.30
Cumulative surplus (deficit), 1 January	(7.4)	4.5	(264.50)
Cumulative deficit, 31 December	(6.1)	(7.4)	17.57

Source: Table 4(a), DP/1998/29/Add.1

46. Table 4(a) in the addendum gives a combined income statement and balance sheet for both the housing and the office premises.

47. In 1997, the housing operations reported a surplus of income over expenditure totalling approximately $1 million; the office premises operations reported a surplus of $71,000.

48. The amount of outstanding claims relating to construction operations at 31 December 1997 is $2.7 million. Claims totalling $516,213 have been approved for settlement in 1998; decisions on the remaining claims will also be taken in 1998.

49. Of the $8 million provided in 1996 for write-off for housing, an additional $129,105 was provided for a construction loan unlikely to be recovered and $2,595,208 was written off ($379,105 for a construction loan in Equatorial Guinea not recovered; $1,760,465 for the difference between the book value and the proceeds on the sale of the Cape Verde apartments; and $455,368 for rehabilitation of properties in Chad). All of the $6 million provided for office premises in 1996 is expected to be utilized in 1998.

UNDP
Other Resources activities: Overview

Figure 11. MSAs

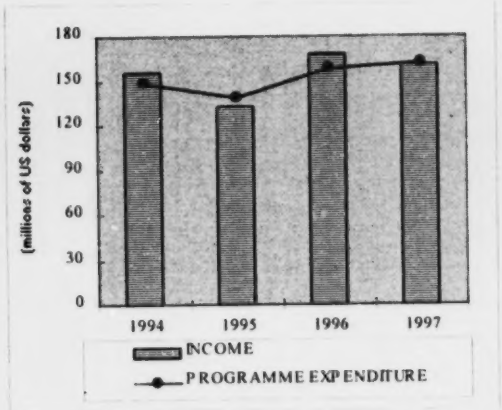


Figure 12. Trust funds

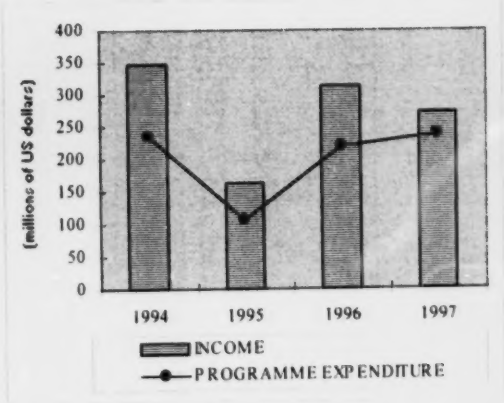
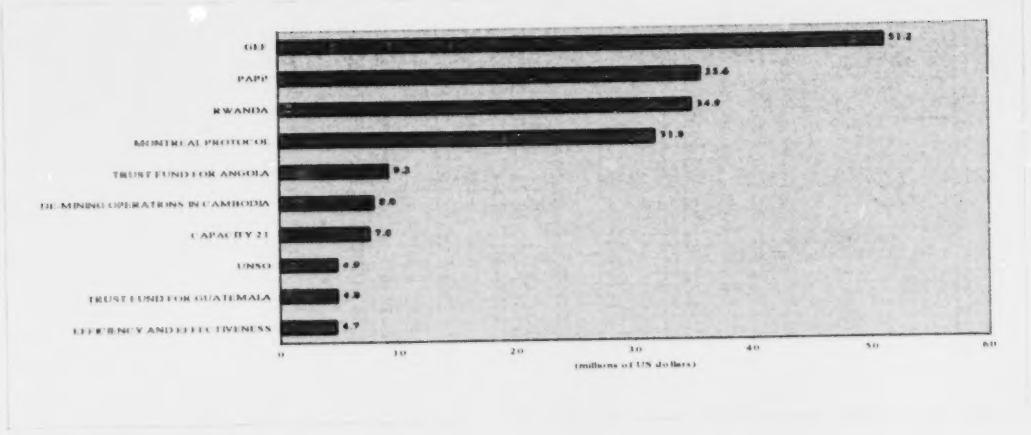


Figure 13. 1997 top ten trust fund recipients



IV. FUNDS ADMINISTERED BY UNDP

50. Table 5(a) in the addendum provides detailed data for the five funds administered by UNDP. The operational mandate of each fund and the results of activities undertaken in 1997 are outlined in the present chapter.

51. Income and expenditure levels fell overall by 10 per cent in 1997, driven mainly by reductions in the amount of contributions. The expenditure picture by Fund is mixed, with UNRNFRE and UNV showing increases in programme expenditure while UNCDF, UNFSTD and UNIFEM all recorded declines.

1. United Nations Capital Development Fund

52. The Fund's policy focus is to reduce poverty through approaches that promote local governance, a dynamic private sector and the participation of civil society in development initiatives. These are the guiding criteria for project approval. UNCDF has increased activity in its most innovative areas of intervention i.e., local development funds, eco-development and micro-finance. In close partnership with Governments and UNDP, these activities build upon and support efforts in LDCs towards democratization, decentralized decision-making and the devolution of resource management to local government authorities and community organization.

53. UNCDF financial priorities in 1997 included: (a) increasing resource mobilization; (b) increasing project approvals with concentration in LDCs; and (c) increasing project expenditures and reducing administrative costs. Core contributions were approximately $34 million for 1997, a decrease of $1 million from $35 million in 1996. Overall contributions - inclusive of cost-sharing and sub-trust funds - fell by $0.7 million or 2 per cent in 1997. Eight of UNCDF major donors increased their contributions for 1997 but the impact was negated by the strong United States dollar. The targets for project approvals were surpassed at $52 million for 1996 and $65 million for 1997. However, owing to changes in types of projects approved, civil unrest in some countries, and other adverse factors, project expenditure reported fell below expected results by 8 per cent to $38 million for 1997 from $41 million in 1996.

2. United Nations Volunteers

54. The past two years have witnessed a period of growth and change for UNV, which has touched its programme, its people and its partners. The range of work of the Volunteers and their roles have evolved rapidly to keep pace with changes in the global environment and the needs of developing partners.

55. Regarding financial results for 1997, UNV mobilized $3.2 million in voluntary contributions, a drop of $1.5 million or 3 per cent from $4.7 million in 1996. While UNV had received no cost-sharing contributions in the past, $0.3 million was received in 1997. For sub-trust funds, $3.7 million less was received in 1997, with total sub-trust fund contributions received totalling $7.5 million, down from $11.2 million in 1996.

56. Overall contributions to the UNV programme were reduced by 32 per cent, from $15.9 million in 1996 to $10.9 million in 1997. The reduction was due to several factors, including concentrated efforts to boost programme delivery to

utilize available resources, and an increased volume of business with the United Nations specialized agencies rather than increased resource mobilization through sub-trust funds. The efforts to boost delivery resulted in 3,620 volunteer assignments, the highest ever in the history of UNV, compared with 3,242 in 1996, an increase of 12 per cent.

57. In his report on the United Nations Volunteers (DP/1998/20), the Administrator proposed that the Executive Board approve the utilization of the one-time accumulated surplus of pro forma costs over actual external costs of serving Volunteers for certain specific needs in UNV that were highlighted in the internal management audit. The proposals included the establishment of a reserve of $900,000 for the current biennium for the initial financing of a reserve for medical and security evacuation costs. In its decision 98/13, the Executive Board approved the proposal of the Administrator and requested that UNV report to the Board at its third regular session 1998 on the management of this reserve in the context of the annual review of the financial situation. The information requested by the Board is set out in the following paragraphs.

58. The reserve for security and medical evacuation needs arose since UNV is facing increasing costs to cover medical and security evacuations and its share of interorganizational security measures. These costs cannot always be predicted or controlled and no provision exists in the UNV overall funding for this type of cost. In previous years, the situations were infrequent and were automatically charged to project budgets.

59. UNV is now facing a situation where medical and security evacuations are frequent occurrences, with increasing costs. This is creating difficulties with partners because of the limited flexibility of project budgets. In the biennium 1996-1997, there were 81 cases of medical evacuations in 32 countries ($140,000) and security evacuations in 15 countries ($145,000). The UNV share of interorganizational security measures and other security costs were $520,000. The UNV apportioned share of interorganizational security costs is currently the second largest, based on the number of United Nations personnel under the responsibility of the United Nations Security Coordinator. The experience over the 1996-1997 biennium indicates that $900,000 as the initial funding for the reserve is an adequate amount. In the current biennium, the Executive Board has approved the initial establishment of the reserve from the surplus in the Special Voluntary Fund. In future bienniums, income to the reserve will be provided from an amount to be included in the pro forma costs of the UNVs. All Volunteer assignments will contribute to the reserve, thereby creating a pool of funds to finance these unpredictable costs, resulting in resources being available when required.

60. The costs of medical evacuations authorized by the United Nations Medical Director that are charged to the reserve will represent the cost of travel and daily subsistence allowance not covered by the medical insurance scheme. The security costs to be charged to the reserve represent evacuations of UNVs and their dependants authorized by the United Nations Security Coordinator and the UNV share of inter-agency field security measures managed by the Office of the United Nations Security Coordinator. The cost of personal residential security authorized for the respective duty stations will not be charged to the reserve but will be included in the pro forma costs, as this is a country specific cost

and therefore predictable. The Executive Coordinator will report to the Executive Board on the drawdowns from the reserve and the level of these resources.

3. United Nations Development Fund for Women

61. During the 1996-1997 biennium, UNIFEM re-established normal programming, under a system of new procedures for programme financial management. The direction of its programme was also re-oriented to provide for greater thematic focus and for concepts of results-based management.

62. Total contributions for UNIFEM rose slightly by $0.4 million to $17.5 million in 1997 from $17.1 million in 1996, largely owing to an increase of $1.3 million in cost-sharing and sub-trust funds contributions. This increase was offset by a fall of $0.9 million in voluntary contributions.

63. Following the decline in 1997 total contributions, regular resources expenditure for 1997 fell by $1 million to $7 million from $8 million in 1996. Cost-sharing and sub-trust funds, however, showed growths of $0.1 million and $0.3 million, respectively. Unexpended resources as at 31 December 1997 totalled $12.3 million, an increase of $4.3 million over the 1996 total of $8.02 million. At its annual session 1996, the Executive Board approved the re-establishment of the partial funding system and of the Operational Reserve. The Reserve was approved at a level of $3 million and now stands at $3.5 million as described in note 32 to the financial statements for the biennium ended 31 December 1997 (A/53/5/Add.1).

4. United Nations Revolving Fund for Natural Resources Exploration

64. The highlight of UNRFNRE activities in 1997 was the successful completion of offshore exploration for heavy mineral sands in southwestern Sri Lanka.

65. In 1997, contributions to UNRFNRE fell to $0.1 million from $1.3 million in 1996, a drop of over $1.1 million. The Fund has diversified the source of voluntary contributions and every effort is being made to attract more contributions.

66. However, programme expenditure rose sharply to $0.6 million from $0.08 million in 1996. In sum, total expenditure, including administrative costs, saw a rise to $1.2 million from $0.6 million in 1996.

5. United Nations Fund for Science and Technology for Development

67. This fund will soon be closing its activities. Meanwhile, $0.08 million was received in contributions for 1997 while $0.1 million was received in 1996. As at 31 December 1997, unexpended resources amounted to $1.2 million.

V. FINANCIAL FORECASTS

68. The projections presented below reflect the status quo scenario. They focus on five principal activities, namely regular resources, cost-sharing, MSAs, trust funds established by UNDP, and, funds established by the General Assembly. They were computed on the following premises:

(a) Contributions. Projections were based on the latest available information on pledges expected from donors;

(b) Programme expenditure. Projections were based on expected delivery levels and approved budgets for 1998 onward, which totaled $3.7 billion ($1.2 billion for regular resources and $2.5 billion for cost-sharing);

(c) Biennial support budget. Projections were based on revised budget data consistent with appropriations approved by the Executive Board.

Detailed data on the forecasts are presented in tables 6(a) to 6(e) of the addendum.

A. Regular resources

69. The forecasts for the years 1998 and 1999 shown in table 13 below and table 6(a) of the addendum highlight the continuing decline in the level of voluntary contributions. The forecasts also incorporate a planned decrease in programme delivery, a direct consequence of declining contributions.

70. UNDP foresees a reduction in net receipts of voluntary contributions to $740 million in 1998, followed by a slight increase to $750 million in 1999. This compares with levels of $848 million in 1996 and $761 million in 1997.

71. In 1997, expenditure exceeded income received; this situation is likely to prevail in 1998 and 1999. Given this scenario, total expenditure for 1998 of $914 million is expected to be greater than total income of $742 million by 23 per cent although for 1999 the expenditure will decrease slightly by 4 per cent to $877 million.

72. The scenario described above will result in the balance of unexpended resources declining to zero by the end of 1999, by which time the management of UNDP will have taken appropriate actions. The Operational Reserve is estimated to decline to $180 million at the end of 1999. The Operational Reserve levels for 1998 and 1999 are set at 20 per cent of the forecasted level of expenditure.

73. With regard to the 1998-1999 biennial support budget and in response to paragraph 9 of decision 97/24, the Administrator has incorporated the downward adjustment of $8.8 million. This adjustment will be achieved by volume reductions in staff and general operating expenses at headquarters, and a combination of volume and cost adjustments in staff and general operating expenses in the country offices component of the budget. The cost reduction for country offices relates in particular to the effect of material currency devaluation in some countries in the Asia and the Pacific region. As a result,

the Administrator is able to maintain the overall staffing strength of the country offices. Additional impact of the currency fluctuations and inflation

is being kept under continuous review and, at the present stage, may possibly result in lower-than-anticipated expenditure against approved appropriations.

74. There are no additional budget implications relating to United Nations reform and the implementation of UNDP 2001 change process over and above those already incorporated in the 1998-199 biennial support budget. The Administrator reported on both matters in his annual report (DP/1998/17). The impact of the forecasted levels of voluntary contributions on the use of UNDP resources, including the biennial support budget, is reviewed in the context of the review of the successor programming arrangements (DP/1998/33), which is before the Executive Board at its current session. In this connection, the Administrator is guided by decision 98/3 on the funding strategy, in which the Board requested him to ensure that the current biennium administrative costs will be maintained at levels agreed upon in decision 97/24. A review of issues relating to the nature and type of country presence has been initiated in preparation of the Administrator's future budget proposals. In this connection, the outcome of the Board's review on the successor programming arrangements and the funding strategy will be taken into account.

75. In its decision 98/2 on the review of policy implications of change and non-core funding (" other resources funding" in the new terminology), the Executive Board confirmed that additional costs resulting from non-core funded activities will be fully recovered. This will also be part of a management review that has been initiated and which covers all aspects of cost recovery. The review is expected to be completed during the fourth quarter of 1998 and the policies, procedures and guidelines will be revised accordingly.

Table 13. Forecasts: Regular resources
(millions of United States dollars)

	Actual		Forecast	
INCOME	1996	1997	1998	1999
Net contributions	847.9	760.9	740.0	750.0
Interest and other income	39.2	17.2	1.6	(5.6)
Total income	887.1	778.1	741.6	744.4
Total expenditure	846.9	960.9	914.3	876.7
Excess (shortfall) of income over expenditure	40.2	(182.8)	(172.7)	(132.3)
Provision for assets (write-down)/recovery	-	(14.4)	-	-
Net excess (shortfall) of income over expenditure	40.2	(197.2)	(172.7)	(132.3)
Savings on obligations of prior biennium	4.7	-	-	-
Transfer (to)/from reserves	29.0	(30.6)	20.0	-
Unexpended resources, 1 January	438.9	512.8	285.0	132.3
Unexpended resources, 31 December	512.8	285.0	132.3	0.0

Source: Table 6(a), DP/1998/29/Add.1

B. Cost-sharing

76. Contributions to cost-sharing are expected to increase by 2 per cent from $941 million in 1997 to $960 million in 1998 and 1999. Delivery is expected to increase at a rate higher than the increase in contributions, leading to a decrease in the unexpended resources of cost-sharing to $534.8 million at the end of 1999, or about six months of programme expenditure (see table 14).

Table 14. Forecasts: Cost-sharing
(millions of United States dollars)

	Actual		Forecast	
INCOME	1996	1997	1998	1999
Net contributions	800.8	941.0	960.0	960.0
Interest income	14.8	18.3	29.9	31.8
Total income	815.6	959.3	989.9	991.8
Total expenditure	706.3	902.2	969.9	1049.8
Net excess (shortfall) of income over expenditure	109.3	57.1	20.0	(58.0)
Transfer (to)/from reserves	(0.6)	0.3	-	-
Unexpended resources, January 1	406.7	515.4	572.8	592.8
Unexpended resources, 31 December	515.4	572.8	592.8	534.8

Source: Table 6(b), DP/1998/29/Add.1

C. Management services agreements

77. Table 15 shows that contributions for MSAs are projected to increase by 11 per cent from $153 million received in 1997 to $170 million in 1998. They are further estimated to increase by $10 million in 1999. Regarding expenditure, it is estimated that project delivery will increase at a rate higher than the rate of increase in income. Total expenditure in 1998 is expected to increase by 13 per cent, from $162 million in 1997 to $184 million in 1998. Expenditure is forecasted to reach $210 million in 1999, which would diminish the fund balance to $50 million at the end of 1999.

Table 15. Forecasts: Management services agreements
(millions of United States dollars)

	Actual		Forecast	
INCOME	1996	1997	1998	1999
Net contributions	162.5	152.8	170.0	180.0
Interest income	5.2	7.0	6.2	5.6
Total income	167.7	159.8	176.2	185.6
Total expenditure	157.9	162.0	183.7	210.0
Net excess (shortfall) of income over expenditure	9.8	(2.2)	(7.5)	(24.4)
Transfer (to)/from reserves	-	(1.2)	-	-
Unexpended resources, January 1	75.2	85.0	81.6	74.1
Unexpended resources, 31 December	85.0	81.6	74.1	49.7

Source: Table 6(d), DP/1998/29/Add.1

D. Trust funds

78. Similarly, contributions to trust funds are expected to increase by 2.6 per cent. Contributions for 1998 and 1999 are projected to total $250 million each year, compared to $244 million received in 1997. Expenditure for 1998 and 1999 would be at the same level of income received. This trend would result in unexpended resources of $442 million at the end of 1999, which is the same level as at the end of 1997 (see table 16).

Table 16. Forecasts: Trust funds established by UNDP
(millions of United States dollars)

	Actual		Forecast	
INCOME	1996	1997	1998	1999
Net contributions	296.3	244.0	250.5	250.5
Interest income	17.1	27.4	28.4	28.1
Total income	313.4	271.4	278.9	278.6
Total expenditure	218.5	236.6	267.5	290.4
Net excess (shortfall) of income over expenditure	94.9	34.8	11.4	(11.8)
Transfer (to)/from reserves	(21.0)	(2.2)	-	-
Unexpended resources, January 1	336.0	409.9	442.5	453.9
Unexpended resources, 31 December	409.9	442.5	453.9	442.1

Source: Table 6(c), DP/1998/29/Add.1

E. Funds administered by UNDP

79. Contributions for funds administered by UNDP are expected to increase slightly to $67 million, an increase of 6 per cent compared to the $63 million received in 1997. Project delivery is expected to increase by 17 per cent from $77 million in 1997 to $91 million in 1998 and 1999. It is expected that the trend of increasing delivery will continue, which would reduce the fund balance to $122 million at the end of 1999 (see table 17).

Table 17. Forecasts: Funds administered by UNDP
(millions of Unites States dollars)

	Actual		Forecast	
INCOME	1996	1997	1998	1999
Net contributions	69.5	62.9	66.7	66.7
Interest and other income	23.4	21.0	21.9	21.4
Total income	92.9	83.9	88.6	88.1
Total expenditure	85.5	77.2	90.8	90.6
Net excess (shortfall) of income over expenditure	7.4	6.7	(2.2)	(2.5)
Transfer (to)/from reserves	(4.0)	(4.2)	-	-
Unexpended resources, January 1	121.1	124.5	127.0	124.8
Unexpended resources, 31 December	124.5	127.0	124.8	122.3

Source: Table 6(e), DP/1998/29/Add.1

VI. UNDP OVERALL

80. Table 19 presents a summary of all activities undertaken by UNDP as earlier defined in the introduction to the present report. Although the data is broken down by type of activity, the figures have been aggregated to facilitate the overview of the overall financial situation of UNDP. In similar fashion, the present section focuses - at the aggregate level - on UNDP operational activities and the resultant unexpended balances.

A. Income

81. Out of a grand total income of $2.3 billion in 1997, UNDP mobilized $2.2 billion in contributions, of which $761 million pertained to regular resources activities (core resources and SMF/LDC), $1.4 billion to other resources activities (cost-sharing, GCCC, trust funds established by the Administrator, and other activities); and the remaining $63 million to funds established by the General Assembly (UNCDF, UNFSTD, UNRFNRE, UNIFEM and UNV).

82. The decline in contributions by $15 million to $2.2 billion in 1997 is less than 1 per cent when compared to 1996 ($2.215 billion). The overall stability masked a sharp drop of 10 per cent in contributions for regular resources activities and a nearly parallel 10 per cent drop in contributions for funds established by the General Assembly.

83. As shown in table 18, the total value of the contributions received from the top ten non-programme country donors amounts to $899 million and represents 88 per cent of all contributions ($1.028 billion - see table 8 in the addendum) received in 1997 from non-programme countries. In a more favourable direction, an increase of 6 per cent in contributions was recorded for other resources activities, strongly fueled by increases in cost-sharing contributions and continuing an upward trend evident over the last several years.

Table 18. Top ten non-programme country donors in contributions for select UNDP activities,1997

Donor	Regular	Trust funds, Third-party cost-sharing and MSAs	Funds	Total
Japan	99	43	5	147
Netherlands	87	43	14	144
Norway	76	24	6	106
Sweden	61	38	7	106
Denmark	76	14	9	99
United States	73	17	1	91
Germany	70	1	3	74
Switzerland	40	9	3	52
United Kingdom	40	4	1	45
Canada	30	3	2	35
Total				899

Source: Table 8, DP/1998/29/Add.1

Table 19. UNDP overview: Statement of income and expenditure for the year ended 31 December

(millions of United States dollars)

	Regular resources			Other resources			Funds			Total		
	1997	1996	+/-	1997	1996	+/-	1997	1996	+/-	1997	1996	+/-
INCOME												
Net contributions	760.90	847.90	-10%	1 376.10	1 297.60	6%	62.90	69.50	-9%	2 199.90	2 215.00	-1%
Interest income	36.10	51.00	-29%	59.00	36.20	63%	10.30	9.30	11%	105.40	96.50	9%
Other income - net	(18.90)	(11.80)	60%	26.00	34.70	-25%	10.70	14.10	-24%	17.80	37.00	-52%
TOTAL INCOME	778.10	887.10	-12%	1 461.10	1 368.50	7%	83.90	92.90	-10%	2 323.10	2 348.50	-1%
Programme	654.30	537.00	22%	1 253.20	1 050.00	19%	61.60	62.60	-2%	1 969.10	1 649.60	19%
Programmes support costs	65.80	65.10	1%	26.20	24.30	8%	1.90	2.20	-14%	93.90	91.60	3%
Biennial support budget - net	240.80	244.80	-2%	65.90	66.30	-1%	13.70	20.70	-34%	320.40	331.80	-3%
TOTAL EXPENDITURE	960.90	846.90	13%	1 345.30	1 140.60	18%	77.20	85.50	-10%	2 383.40	2 073.00	15%
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(182.80)	40.20	-555%	115.80	227.90	-49%	6.70	7.40	-9%	(60.10)	275.50	-122%
Provision for assets (write-down)/recovery	(14.40)	-	0%	(0.10)	(14.00)	-99%	-	-	0%	(14.50)	(14.00)	4%
												0%
NET EXCESS(SHORTFALL) OF INCOME OVER EXPENDITURE	(197.20)	40.20	-591%	115.70	213.90	-46%	6.70	7.40	-9%	(74.80)	261.50	-129%
Savings on obligations of prior biennium	-	4.70	-100%	-	1.10	-100%	-	0.10	-100%	-	5.90	-100%
Transfers (to) from reserves	(30.00)	30.00	-200%	-	-	0%	(4.20)	(4.10)	2%	(34.20)	25.90	-232%
Refunds to donors and transfers (to)/from other funds	(0.60)	(1.00)	-40%	(2.80)	(18.60)	-85%	-	-		(3.40)	(19.60)	-83%
Fund balances, 1 January	512.80	438.90	17%	1 084.90	888.50	22%	124.50	121.10	3%	1 722.20	1 448.50	19%
FUND BALANCES, 31 DECEMBER	285.00	512.80	-44%	1 197.80	1 084.90	10%	127.00	124.50	2%	1 609.80	1 722.20	-7%

Source: Table 1(a), DP/1998/29/Add.1

Table 19 (continued)
(millions of United States dollars)

	Regular resources			Other resources			Funds			Total		
	1997	1996	+/-	1997	1996	+/-	1997	1996	+/-	1997	1996	+/-
ASSETS												
Cash	-	25.90	-100%	2.60	4.90	-47%	1.50	1.10	36%	4.10	31.90	-87%
Government letters of credit	-	-	-	0.40	36.90	-99%	-	-	-	0.40	36 90	-99%
Investments held for												
Operational Reserve	200.00	170.00	18%	-	-	-	48.50	44.30	9%	248.50	214.30	16%
Regular resources	257.50	431.20	-40%	-	-	-	-	-	-	257.50	431.20	-40%
Other	958.40	897.10	7%	276.20	230.00	20%	132.70	138.00	-4%	1 367.30	1 265.10	8%
Sub-total investments	1 415.90	1 524.20	-5%	276.20	230.00	20%	181.20	182.30	-1%	1 873.30	1 910.60	-2%
Total Cash, Letters of credit and Investments	1 415.90	1 524.20	-7%	279.20	271.80	3%	182.70	183.40	0%	1 877.80	1 979.40	-5%
Advances from Governments and executing agencies	111.90	119.60	1 498.30	154.70	131.70	17%	3.10	4.20	-26%	269.70	255.50	6%
Accounts receivable and deferred charges	130.30	65.10	100%	1 064.30	951.40	12%	15.20	7.30	108%	1 209.80	1 023.80	18%
Accrued interest	13.20	14.50	-9%	17.90	11.90	50%	3.80	4.30	-12%	34.90	30.70	14%
Long-term accounts receivable	-	-	0%	1.10	-	0%	-	-	0%	1.10	0.00	0%
Special capitalized assets	1.60	1.60	0%	39.90	41.60	-4%	-	-	0%	41.50	43.20	-4%
Loans to Governments	-	-	-	-	-	-	5.60	8.00	-30%	5.60	8.00	-30%
TOTAL ASSETS	1 672.90	1 725.00	-3%	1 557.10	1 408.40	11%	210.40	207.20	2%	3 440.40	3 340.60	3%
LIABILITIES												
Advances to Governments and executing agencies	9.40	10.00	-6%	34.10	24.80	38%	3.80	1.70	124%	47.30	36.50	30%
Unliquidated obligations	68.40	61.90	11%	174.60	199.50	-12%	7.90	11.90	-34%	250.90	273.30	-8%
MSAs	-	-	-	1.20	0.70	71%	-	-	-	1.20	0.70	71%
Accounts payable	45.70	24.70	85%	44.70	46.20	-3%	2.40	2.30	4%	92.80	73.20	27%
Due to other resources	1 048.70	939.90	12%	-	-	-	15.40	19.20	-20%	1 064.10	959.10	11%
Other liabilities	14.10	4.10	244%	79.70	27.30	191%	5.40	3.30	64%	99.20	34.70	186%
TOTAL LIABILITIES	1 186.30	1 040.60	14%	334.30	298.50	12%	34.90	38.40	-9%	1 555.50	1 377.50	13%
RESERVES AND FUND BALANCES												
Operational Reserve	200.00	170.00	18%	-	-	-	48.50	44.30	9%	248.50	214.30	16%
RFA - Authorized level		-	-	25.00	25.00	0%	-	-	-	25.00	25.00	0%
Special capital resources	1.60	1.60	0%	-	-	-	-	-	-	1.60	1.60	0%
Unexpended resources	285.00	512.80	-44%	1197.80	1084.90	10%	127.00	124.50	2%	1 609.80	1 722.20	-7%
Total unexpended resources and special capital resources	286.60	514.40	-44%	1197.80	1084.90	10%	127.00	124.50	2%	1 611.40	1 723.80	-7%
TOTAL RESERVES AND FUND BALANCES	486.60	684.40	-29%	1 222.80	1 109.90	10%	175.50	168.80	4%	1 884.90	1 963.10	-4%
TOTAL LIABILITIES AND RESERVES AND FUND BALANCES	1 672.90	1 725.00	-3%	1 557.10	1 408.40	11%	210.40	207.20	2%	3 440.40	3 340.60	3%

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84. To gain a broader perspective of funding levels, the Executive Board may wish to observe that UNDP completed the 1996-1997 biennium with overall mobilization of $4.4 billion in contributions, of which 36 per cent was for regular resources activities, 61 per cent for other resources activities and 3 per cent for funds administered by UNDP but established by the General Assembly.

B. Expenditure

85. Expenditure for all programme activities was $2.383 billion in 1997 compared to $2.073 billion in 1996, an increase of 15 per cent or $310 million over 1996. Of the $2.383 billion in 1997 total expenditure, $1.969 billion (82.6 per cent) represented programme/project activities while $80.2 million (3.4 per cent) was devoted to support costs to implementing agents. Additionally, programme support to the resident coordinator amounted to $8 million (0.3 per cent) and $5.7 million (0.2 per cent) was provided for UNDP sectoral support. The balance of $320.4 million (13.5 per cent) represents the biennial support budget.

86. For the 1996-1997 biennium, UNDP overall expenditure amounted to $4.5 billion, of which 81 per cent ($3.6 billion) was utilized for programme/project activities; 4 per cent ($163.6 million) in support costs for the implementing agents; 14.5 per cent ($652.4 million) for the biennial support budget, less than 1 per cent ($11 million) for programme support to the resident coordinator and less than 1 per cent ($11 million) for UNDP sectoral support.

C. Unexpended resources

87. Overall unexpended resources fell by $112.4 million or 7 per cent to $1.610 billion in 1997 from $1.722 billion in 1996. The Executive Board may wish to note that this drop, occurring mainly in regular resources, was planned and was in relation to expected future income levels.

88. The drop of $227.8 million (44 per cent) in regular resources unexpended balances from $513 million in 1996 to $285 million in 1997 fully explains the marked reduction in the combined figures for 1997. Nonetheless, because other resources activities account for 74 per cent of the combined unexpended resources balances, the impact of the 44 per cent reduction of the regular resources balance was noticeably reduced.

VII. EXECUTIVE BOARD ACTION

89. The Executive Board may wish to:

(a) Note the increase in programme expenditure which, in 1997, exceeded voluntary contributions;

(b) Also note the continuing critical shrinkage in the amount of voluntary contributions to regular resources of the Programme and the depletion of the balance of resources available for core activities.